

# **CITY OF HORSESHOE BAY**

## **CITY COUNCIL SPECIAL MEETING TO CONDUCT BUDGET WORKSHOP**

July 24, 2006

The Council of the City of Horseshoe Bay held a Special Meeting to conduct a Budget Workshop at City Hall, located at #1 Community Drive, Horseshoe Bay, Llano County, Texas, July 24, 2006, in accordance with duly posted notice of said meeting. Mayor Lambert called the Special Meeting to order at 9:00 a.m. with a quorum of Council Members present as follows:

Robert W. Lambert, Mayor  
James E. Babcock, Mayor Pro Tem  
John Bird, Alderman  
Don Wood, Alderman  
Karen Wines, Alderwoman  
Vernon E. Schrader, Alderman

The posted agenda for this meeting is made a part of these minutes by attachment and the minutes are herewith recorded in the order the agenda items were considered with the agenda subject and item number shown preceding the applicable paragraph.

1. Call the Special Meeting to Order and Establish a Quorum: Mayor Lambert called the Special Meeting to order at 9:00 a.m. with a quorum present.
2. Convene Budget Workshop: Mayor Lambert convened the Budget Workshop. He stated that the purpose of the workshop is to give the Council and the public an overview of the proposed budget for fiscal year 2007 and to give the Council the opportunity to pursue any particular item in detail. He noted that no decisions will be made today and that there will be a subsequent workshop on September 5<sup>th</sup> to allow the Council to further discuss the details of the proposed budget. Mayor Lambert introduced Bob Lowry, ex-Director of the Lake LBJ MUD, noting that Mr. Lowry had been instrumental in the financial status of the District. He then discussed some of the basic financial concepts of Lake LBJ MUD and stated that the City is in excellent financial condition as a result of many years of good leadership by the Board and the staff and due to the District's aggressive approach to controlling expenses and conservative budgeting. The District also maintained significant cash reserves and had a philosophy of paying cash for capital projects versus borrowing, which seems to reflect the sentiments of the Horseshoe Bay community. Mayor Lambert then explained the concept of governmental accounting, which requires that separate funds be established for different types of activities and that the City will have General Fund activities and Utility Fund activities. He then discussed the Balance Sheets of each fund and explained the purpose of each of the cash reserves. He noted that when the General Fund and the Utility Fund were set up, all of the cash, other than what was required for the purpose of the Revenue Note, in the amount of approximately \$5.7 million was deposited to the General Fund, as opposed to the Utility Fund, due to the flexibility of transferring funds from the General Fund. He then discussed the possible uses of the cash, consisting of operating reserves and capital recovery

reserves, and that the Council will need to make a decision on the use of the cash reserves. General Manager Mike Thuss gave an overview of the status of the 2006 budget noting that revenues are expected to exceed budget estimates, that expenses will be slightly below budget, that approximately \$1.4 million will be transferred from the General Fund to the Utility Fund, and that revenues in the General Fund will exceed expenses by approximately \$1 million. He then gave an overview of the proposed 2007 budget noting that it is a balanced, conservative budget which projects no increase in taxes and includes a programmed utility rate increase, a capital program, a merit program, salary adjustments, benefits, and department initiatives and results in approximately \$1 million in excess revenue over expenses in the General Fund. At this time, Police Chief Bill Lane, Fire Chief Danny Wooten, Utility Manager Glenn Jones, and Administration Manager Toni Vanderburg each presented their departmental business plans, including their goals, objectives, and initiatives for their proposed budgets. The meeting was adjourned for a recess at 11:20 a.m. The meeting was reconvened at 11:35 a.m. General Manager Mike Thuss presented his business plan, goals and objectives, and initiatives for his proposed budget. Mr. Thuss then gave a summary of the department initiatives that are included in the proposed budget and also noted that a projected 16% increase in medical insurance totaling approximately \$53,600 is also included, as well as debt service. After some discussion, it was agreed that the staff will conduct an analysis of medical benefit alternatives during the next year. He then reported that the City has received a salary survey that indicated that salary range adjustments and salary increases are needed in order to remain competitive with surrounding communities. The Mayor explained that the City has a good performance review and merit program in place and that approximately \$200,000 is included in the budgeted figures to accomplish the salary adjustments which will be given in January 2007 after the performance reviews are completed. He stated that the performance review program will be further discussed at a subsequent meeting prior to the salary adjustments being given. General Manager Thuss then discussed the capital program totaling \$1.1 million and gave a brief summary of the 2007 proposed budget. Mayor Lambert requested that \$50,000 be included in revenue and \$50,000 in expense for a Municipal Court and that a contingency of \$100,000 be included in the General Fund and in the Utility Fund to allow some flexibility in the budget and will be spent only with approval from the Council. The Mayor then explained that the Council will need to propose a tax rate at the July 25<sup>th</sup> meeting and will need to file the proposed budget with the City Secretary by August 19<sup>th</sup>. There will be a public hearing on the proposed tax rate at the August 22<sup>nd</sup> meeting, a second public hearing on the proposed tax rate on September 5<sup>th</sup>, followed by the second budget workshop. There will be a public hearing on the proposed budget on September 19<sup>th</sup> and, following the public hearing, the Council will approve the budget. The meeting was adjourned for a recess at 12:25 p.m. and reconvened at 12:35 p.m. Alderman Don Wood gave a presentation on water rate issues. Alderman Wood presented a water rate analysis and discussed different rate structures such as flat rates and tiered rates, which will allocate a higher portion of fixed costs to high volume users and to encourage conservation. He also discussed impact fees to assess a part of the cost of capacity to new customers.

3. Adjournment: There being no further discussion, Alderman Schrader made a motion to adjourn the meeting. Alderwoman Wines seconded the motion and the meeting was adjourned at 1:20 p.m.

APPROVED this 22nd day of August, 2006.

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/S/  
Robert W. Lambert, Mayor

ATTEST:

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/S/  
Toni Vanderburg, City Secretary